

## 2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii)

---

### *Quantitative Performance Measures*

Weight	Factor	Performance Measure	Incentive Schedule	First Quarterly Status Report
45%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to:  Domestic Fixed Income (FI), Internal—CalPERS Custom Leh LPF  {SW4KA1 – CALCCLP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	+28 bp
10%	CalPERS Total Fund Performance	Net of Fees, excess return in basis points relative to total fund performance benchmark.  Comp-PERS Total Fund All Portfolios- CalPERS Policy Index (Daily)  {SJ1CA1 – CPERSTO2}	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	+76 bp
10%	CalPERS Short Duration Funds	Net of Fees, excess return in basis points relative to: <ul style="list-style-type: none"> <li>(4%) High Quality Libor Fund – PERS Custom Daily Libor {SW3X} – (CPERSLI2)</li> <li>(3%) Short Duration Fund – PERS Custom Daily Libor (SW9D) – (VI7D)</li> <li>(3%) CalPERS Internally Managed Short Term -State Street STIF net of fees {SJ10 – Y8K2}</li> </ul>	0 basis points = 0 +5 basis points = 1.0 +8 basis points = 1.5  0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5  0 basis points = 0 +10 basis points = 1.0 +15 basis points = 1.5	- 1 bp  + 4 bp  + 2 bp

## 2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii) – Continued

---

### *Quantitative Performance Measures*

Weight	Factor	Performance Measure	Incentive Schedule	First Quarterly Status Report
10%	CalPERS Opportunistic Programs	<ul style="list-style-type: none"> <li>(5%) Net income from securities lending</li> <li>(5%) Credit enhancement program</li> </ul>	<p>&lt;\$60 MM = 0 \$90 MM = 1.0 \$105 MM = 1.5</p> <p>0 contingent liability line or losses &gt;0 \$750 million contingent liability line and 0 loss =1 \$1,125 billion and 0 loss = 1.5</p>	<p><b>\$30.9 MM</b></p> <p><b>See Change Request form for this item</b></p>
5%	CalPERS Internal Passive Currency Overlay Management	<p>Net of Fees, return in basis points relative to:</p> <p>Passive currency overlay portfolio – PERS Pareto CCR</p> <p>{SW5PB – YET2}</p>	<p>&gt; -50 basis points = 0 &gt; -30 basis points = 1.0 &gt; -20 basis points = 1.5</p>	+ 2 bp
5%	CalPERS International Fixed Income	<p>Net of Fees, excess returns in basis points relative to:</p> <p>Aggregate of the all International Fixed Income Managers - CalPERS World Govt X US:</p> <p>{SJDCA1 – CALWGXU2}</p>	<p>0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5</p>	+ 7 bp
85%	Subtotal	Quantitative Measures		

## 2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii) - Continued

### *Qualitative Performance Measures*

Weight	Factor	Performance Measure	Incentive Schedule	First Quarterly Status Report
5%	Annual Plan	By 6/30/05, obtain approval by the IC of the Fixed Income Annual Plan for FY 2005/06	From Schedule	See change request form for this item.
5%	Diversity Plan	By 6/30/05, implement all elements of the enterprise wide diversity plan that relate to the responsibilities of the investment office	From Schedule	On Schedule
5%	International Fixed Income	By 6/30/06, implement the restructuring for the international Fixed Income Program	From Schedule	On Schedule
15%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		

### INCENTIVE PLAN CHANGE

#### Part C (Modification of Performance Measure)

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
10%	Credit Enhancement	Credit Enhancement Program	0 contingent liability line or losses > 0 \$750 million contingent liability line and 0 loss =1 \$1,125 billion and 0 loss = 1.5	

#### Part C (Modification of Performance Measure) - Continued

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
10%	Credit Enhancement	Credit Enhancement Program	<b>\$0 revenue or 0 losses &gt; 0</b> <b>\$3.5 million in revenue and 0 losses = 1</b> <b>\$5.25 million in revenue and 0 losses = 1.5</b>	

Reason for proposed change:

The change was made to reflect an earnings focus on the program instead of a volume metric - this will incentive staff to balance size and pricing instead of focus on volume only.

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Annual Plan	By 6/30/05, obtain approval by the IC of the Fixed Income Annual Plan for FY 2005/06		

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Annual Plan	By <b>6/30/06</b> , obtain approval by the IC of the Fixed Income Annual Plan for FY <b>2006/07</b>		

Reason for proposed change: Change was made to correct date to the current Fiscal Year.

### Part C (Modification of Performance Measure) - continued

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Diversity Plan	By 6/30/05, implement all elements of the enterprise wide diversity plan that relate to the responsibilities of the investment office		

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Diversity Plan	By <b>6/30/06</b> , implement all elements of the enterprise wide diversity plan that relate to the responsibilities of the investment office		

Reason for proposed change: Change was made to correct date to the current Fiscal Year.

**Supervisor's Approval: Original signed by Mark Anson**

**Date: November 30, 2005**